DÜRR

LEADING IN PRODUCTION EFFICIENCY

WELCOME

ANALYSTS' TRIP

PAINT AND FINAL ASSEMBLY SYSTEMS APPLICATION TECHNOLOGY CLEAN TECHNOLOGY SYSTEMS

Dürr Paintshop Systems Engineering Co.
Reiner Schmid, CEO & President

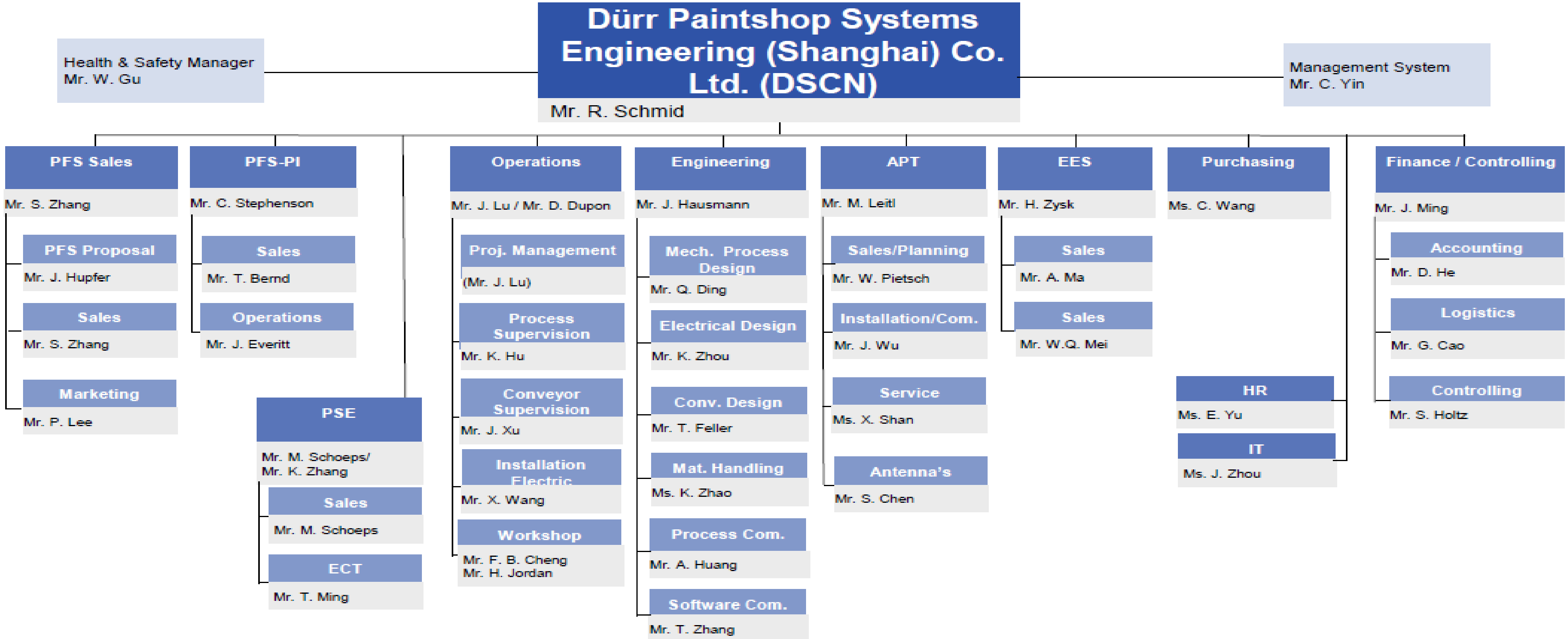
Shanghai, October 9, 2012

DÜRR PAINTSHOP SYSTEMS

Paint and Assembly Systems	Application Technology	Clean Technology Systems
		
Paint shops and final assembly systems	**Paint application technology**	**Exhaust air purification systems**
		
Aircraft manufacturing technology	**Sealing and glueing technology**	**Energy efficiency technology**

ORGANIZATIONAL OVERVIEW

Chinese executives at senior management level



- Employees: 750 white collar + 400 workers
- Expatriates: 25
- Suppliers: ~ 4,000

STRONG INCREASE IN BUSINESS VOLUME

	2005	2012 (e)	CAGR in %
Incoming orders (in € m)	121	765	30
Order backlog (in € m)	98	954	38
Sales revenues (in € m)	67	565	36
Employees	135	750	26

RAMP-UP OF LOCAL PRODUCTION

Year	Amount	Product	Customer
2005	1,100 t	Oven, Coagulation Tanks	SGM Shanghai/Yantai, GM Holden Australia, JMC, Changan
2006	1,800 t	Oven, Intermediate Oven, Tunnel Systems	SGM Yantai, JAC, DYKMC
2007	2,700 t	Oven, Intermediate Oven	JAC, Chery CP4, BMMC, VW India
2008	2,700 t	Oven, Ductwork, Tunnel Wall Systems	VW India, Yutong
2009	1,500 t	Oven, Steelwork, Dust Protectors, EES-products RTO and VAR	Changan, YFPO, BASF, HMMR, BBDC, Blue Star, DYKMC, FCC
2010	3,590 t	Oven, Intermediate Oven, Tunnel Systems	FCC, Renault, FAW VW, FAW Audi, Ford, YFPO
2011	5,500 t	Oven, Intermediate Oven, Tunnel Wall Systems, Preassembly Groups	SVW, Chery, Sany, Nissan Guangzhou, SGM Yantai, Shanxi Victory, Fiat GAC, BAIC, BHMC
2012 (e)	15,000 t	All core products	All OEM‘s

SUCCESS FACTORS IN CHINA

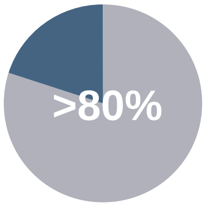
- Long-term presence in China, since 1985
- Considerably larger capacities than our closest competitors, both in manufacturing and in engineering
- High local content, up to 60%
- Large number of Chinese executives, such as CFO, Purchasing, Materials Management, PM
- Close cooperation with Germany; combination of local expertise and cost base with German know-how

External success factors

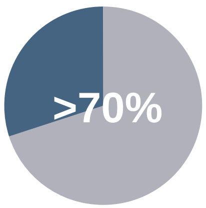
- Long-term and well-established customer relationships at all management levels
- Quality standards matching those of the rest of the world
- Cultural circumstances are taken into account
- Reliability of human resources
- Same feel as a Chinese company but with German product and service quality

LOCALIZATION VS. EXPORT: MANUFACTURING

In-house manufacturing in China further expanded through new location



Dürr's core products*
>80% manufactured in Shanghai
(e.g. fans, ovens, etc.)



Dürr's products overall*
>70% manufactured in Shanghai

Requirement

high level of standardization

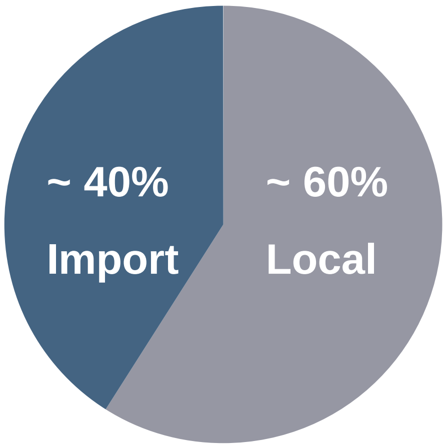
- Shanghai has the broadest range of production among Dürr's manufacturing sites*
- China orders: 100% of production tasks in plant engineering are carried out locally: in-house manufacturing and subcontractors

*Paint systems business
(without application technology)

LOCALIZATION VS. IMPORT: LOCAL CONTENT

IMPORT: Coordination, special topics/know-how

- **Engineering: basic, some detail**
  mechanical, electrical, conveyors
- **Selected bought-in parts**
  e.g. special cables, hot-dip aluminized sheet, dialysis cells…
- **Project management, lead engineering for JV projects**
- **Terms & conditions**
  guarantees, warranties, fees, bid bonds etc.
- **Site management, commissioning**
  management, training, standby



Paint systems business without application technology

LOCAL: Execution and implementation

- **Detail engineering**
  mechanical, electrical, conveyors
- **Local bought-in parts**
- **Local project management**
- **Manufacturing**
- **Construction site**
  execution (assembly, commissioning) mechanical, electrical, conveyors
- **Logistics**

LOCALIZATION VS. IMPORT: ENGINEERING

Expansion of know-how and capacity in China

- Engineering capacity 2009 to 12/2012e: + 200%*
- Second largest engineering site after Bietigheim
- Dürr Shanghai covers:
  - 78% of all electrical engineering competencies*
  - 66% of all mechanical engineering competencies*
- China orders: engineering tandem Bietigheim/Shanghai
- Integrated within global engineering strategy
  - Engineering and manufacturing also for orders outside China (Australia, India, Morocco, South Africa, USA, Russia)

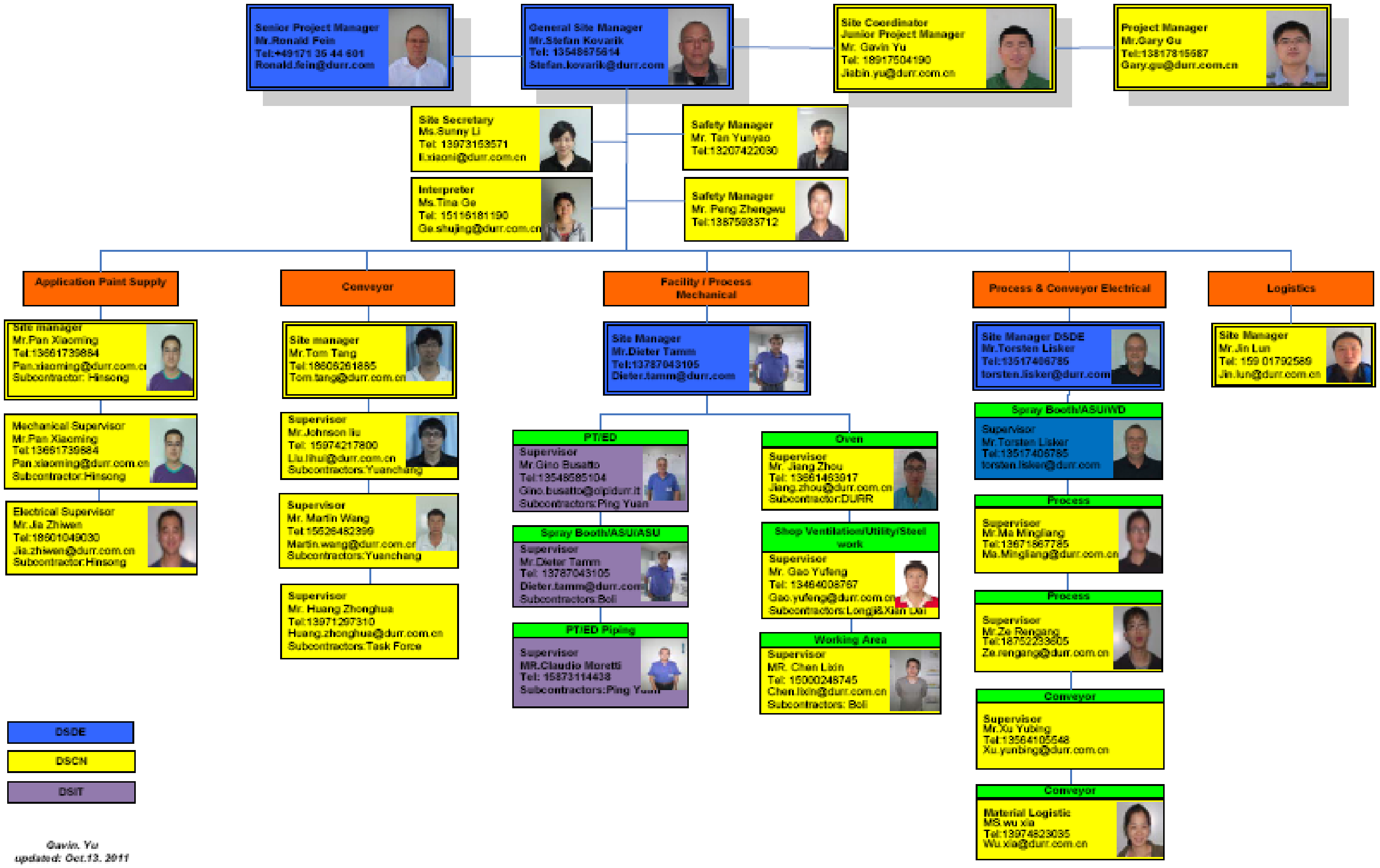
→ Requirements for local engineering

- ✓ High level of product standardization
- ✓ Standardized tools

*Paint systems business
(without application technology)

LOCALIZATION VS. IMPORT:
PROJECT AND SITE MANAGEMENT

Execution on site carried out almost exclusively by local site management



Project lead

Project management

Site management

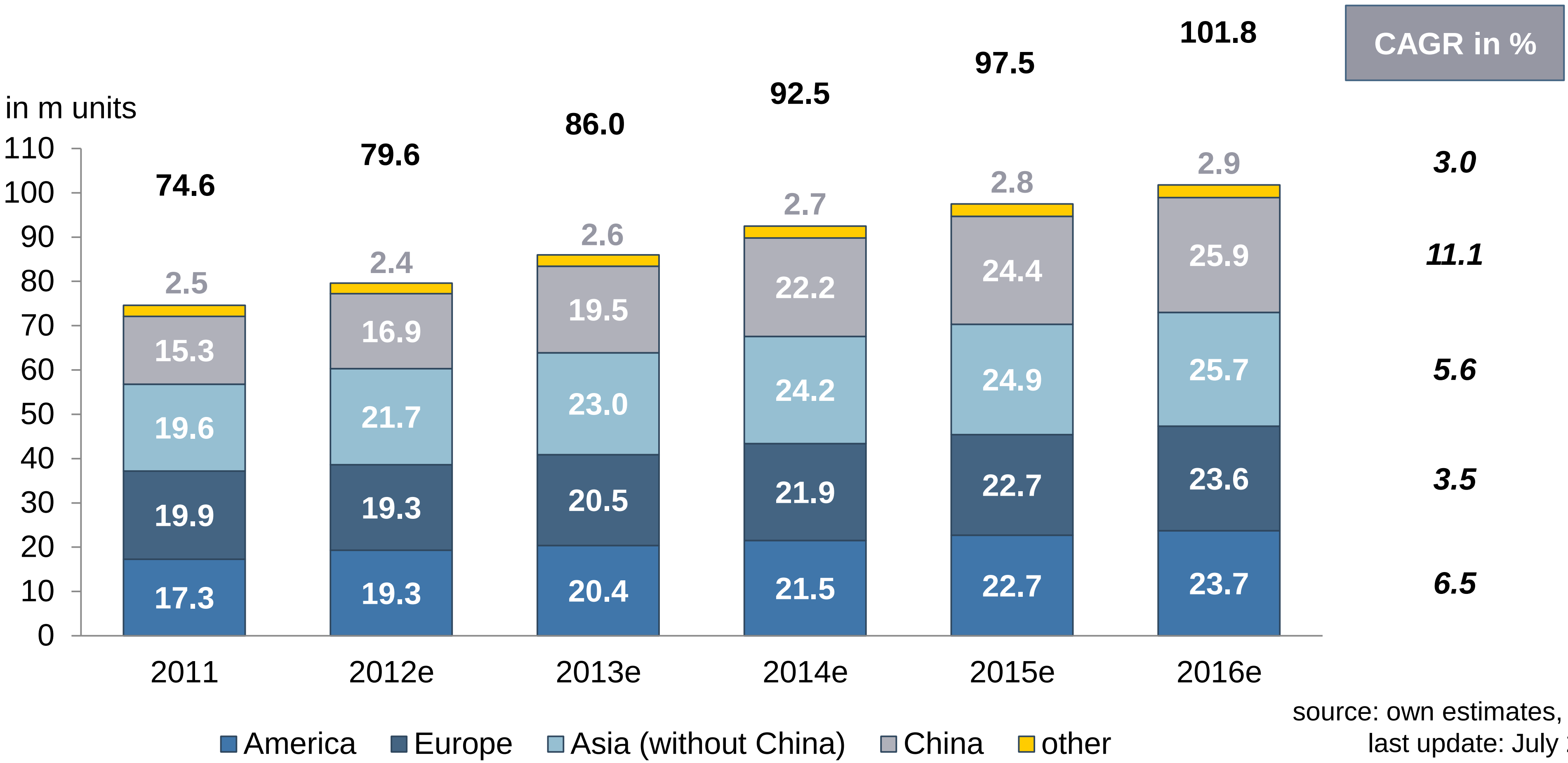
BIGGEST CHALLENGES OF PAINT AND ASSEMBLY SYSTEMS IN CHINA

- Staff turnover in China is generally high → motivation, payment, training
- Quality and delivery issues with suppliers
- Employee discipline
- Cultural differences
- Language
- Cost increase (salaries, taxes)
- Inflation
- Frequent and fast changing government guidelines
- Medium- and long-term planning
- **Of 17 million cars/year approx. 13 million are painted using Dürr systems**, we want to maintain this market share.

CONTINUED STRONG GROWTH EXPECTED IN EMERGING MARKETS

China, India, Russia, Thailand & Indonesia with expected growth >10%

» Light vehicle production increase by 27 m units over 5 years!

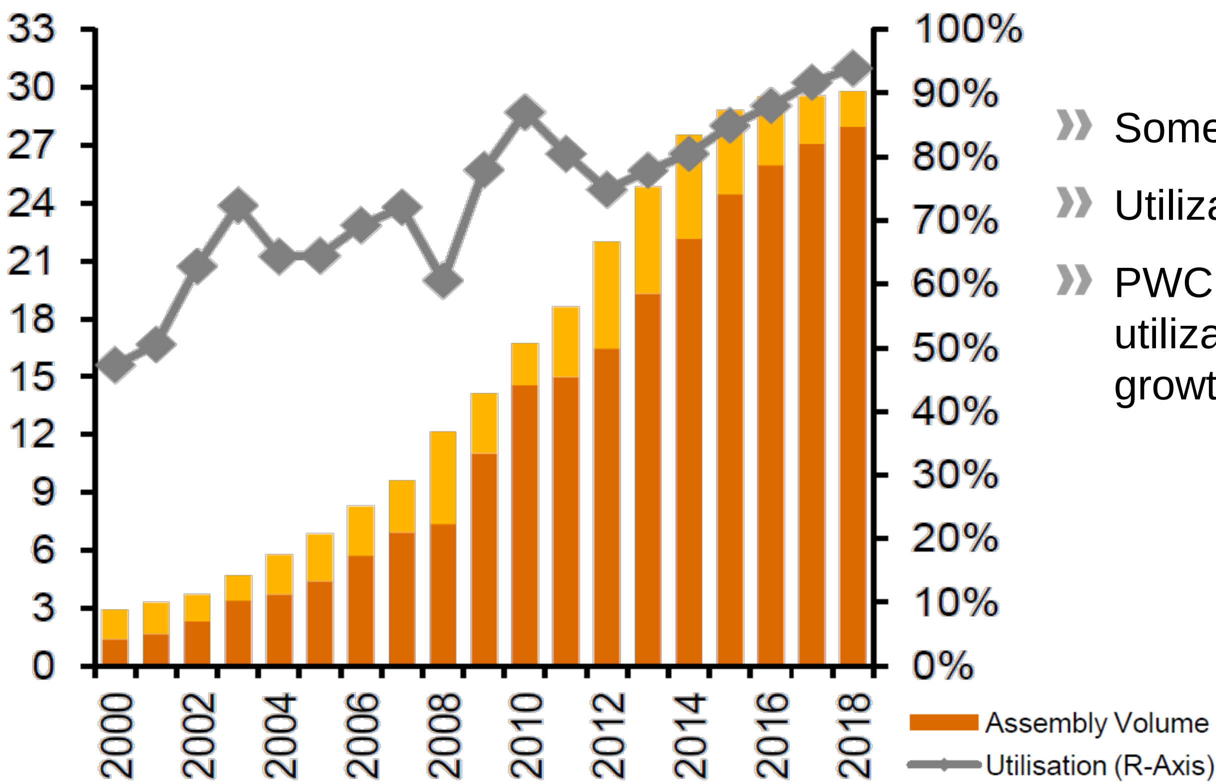


source: own estimates, PwC
last update: July 2012

LIGHT VEHICLE ASSEMBLY OUTLOOK

China: Light Vehicle Assembly Outlook

2000 – 2018(e) (million)



- Some over-spending in 2010 and 2011
- Utilization ratio drops to around 75% in 2012
- PWC assumptions are (too) conservative with utilization ratios rising above 90% → stronger growth in assembly capacity realistic

source: PwC Autofacts
March 2012

MARKET POTENTIAL

	2006	2007	2008	2009	2010	2011	2012 (e)
Change in LV production (in m units)	1.4	0.6	0.4	3.5	3.4	0.9	1.6
Paint shop orders at Dürr	1	0	1	4	7	6	4

- Market growth 2012-2016 ~2.3 m units per year (→ 4-5 paint shops for Dürr per year)
- Service and modernization potential; currently less than 3% of sales
- Automation potential (i.e. interior painting) in installed base
- Replacement potential due to market concentration of OEMs

SUMMARY

- China is currently the largest market for Dürr and will continue to offer good growth prospects.
- The service and revamp business holds great potential.
- **Dürr's success in China is based on:**
  - Early market penetration
  - Strong local presence
  - High level of localization in central stages of the value chain
  - Continued expansion investments
- Successful localization requires global standardization of products, processes and tools.
- Global integrator: Dürr China will increasingly support projects in other markets.

Appendix

OVERVIEW: COMPETITORS IN CHINA

Paint and Final Assembly Systems	Eisenmann, Taikisha, Scivic, Geiko
Application Technology	ABB, Fanuc, Yaskawa, Kawasaki
Clean Technology Systems	Anguil, Megtec, Envirotec but also local companies such as Shanghai DongHua, JinNeng or D-Tec (Taiwan)

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